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Diana T Fritz 05/24/2007 04:54:07 PM From DB/Inbox: Search Results

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CONFIDENTIAL

SIPDIS  
TELEGRAM

March 10, 2003

To: No Action Addressee  
Action: Unknown  
From: AMEMBASSY ABU DHABI (ABU DHABI 1137 - UNKNOWN)  
TAGS: EFIN, ETTC, EINV, PGOV  
Captions: None  
Subject: DUBAI INTERNATIONAL FINANCIAL CENTER TO GO FORWARD, BUT  
UNDER UAE CENTRAL BANK SUPERVISION  
Ref: None

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C O N F I D E N T I A L ABU DHABI 01137

SIPDIS  
CXABU:  
ACTION: ECON  
INFO: P/M AMB POL DCM  
Laser1:  
INFO: FCS

DISSEMINATION: ECON  
CHARGE: PROG

APPROVED: DCM:RAALBRIGHT  
DRAFTED: ECON:TEWILLIAMS  
CLEARED: CGD:RGOLSON

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OO RUEHC RUEHZN RUEATRS RUEAWJA RHEHNSC RUEHLO  
RUEHFR  
DE RUEHAD #1137 0691053  
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FM AMEMBASSY ABU DHABI  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8756  
INFO RUEHZM/GCC COLLECTIVE  
RUEATRS/TREASURY DEPT WASHDC  
RUEAWJA/DOJ WASHDC  
RHEHNSC/NSC WASHDC  
RUEHLO/AMEMBASSY LONDON 0593  
RUEHFR/AMEMBASSY PARIS 0653

C O N F I D E N T I A L ABU DHABI 001137

SIPDIS

STATE FOR NEA/ARP - HEFFERNAN, NEA/RA - SUTPHIN,  
EB/ESC/ESP AND INL/C - CASSARA  
TREASURY FOR OGC - AUFHAUSER  
TREASURY ALSO FOR NILMINI GUNARATNE  
TREASURY PASS OFAC FOR NEWCOMB  
DOJ FOR TED GREENBERG

E.O. 12958: DECL: 03/10/07  
TAGS: EFIN ETTC EINV PGOV TC  
SUBJECT: DUBAI INTERNATIONAL FINANCIAL CENTER TO GO  
FORWARD, BUT UNDER UAE CENTRAL BANK SUPERVISION

REF: A) 02 DUBAI 3536, B) 02 ABU DHABI 3435

¶1. CLASSIFIED BY DCM RICHARD A. ALBRIGHT FOR

REASONS 1.5 (B,D).

¶2. (C) UAE Central Bank Governor Sultan bin Nasser Al-Suweidi told Econchief March 8 that the long-anticipated Dubai International Financial Center (DIFC -- a much-publicized plan to create a state of the art financial services sector in Dubai, see refs) will be created shortly via the issuance of a Federal Decree. However, while the authorities in Dubai, where DIFC will be located, had pushed hard for authority to establish their own independent regulatory and supervisory authority (in effect, off-shore status), that view had not won out and instead the Federal government (read: the Central Bank) would oversee and limit the powers of the new financial center. "Our view has won," Al-Suweidi noted with some satisfaction; "the Central Bank will supervise DIFC, ensuring full compliance with relevant UAE laws, particularly money-laundering legislation."

¶3. (C) The Governor anticipated that the Federal Decree creating the DIFC could be issued within then next few weeks. DIFC would be involved in bank back-office operations, reinsurance, Islamic banking and asset management. He noted that technical meetings had already begun between DIFC personnel and both the SEC-equivalent and the Ministry of Economy and Commerce, which regulates insurance (reinsurance is an area DIFC is hoping to get into). Nonetheless, while DIFC looked set for a launch in the near to medium term, Al-Suweidi cautioned that the blue-chip companies from the West which DIFC sought to attract would not all flock to Dubai at once. "I expect it will take some time for these well-known global firms to invest," the Governor observed, "particularly given the current tensions in the region."

¶4. (C) COMMENT: The outcome anticipated by the Governor is the right one for DIFC. At the end of the day, regardless of how good the rules might be that DIFC would put into place (and they hired some of the best legal and regulatory talent around), self-regulation (i.e., a quasi-off-shore status) is not the way to ensure high standards of accountability, since most observers have more faith in the probity of the UAE Central Bank than they do in the complicated by-laws proposed by DIFC's backers. Central Bank supervision can also ensure that the UAE's new anti-money laundering law will be effectively implemented -- one of our key concerns all along. If things go as predicted by the Governor, regulators of financial services industries across the OECD, but particularly in the U.S., U.K., and France, may find it easier to grant permission for the companies they oversee to participate in DIFC, and make it the kind of success its proponents in Dubai are hoping for.

¶5. (U) This message coordinated with Amconsul Dubai.

Wahba